

FUNDAMENTAL PROBLEMS FACED BY THE HOME-BASED INDUSTRIES IN JEMBER REGENCY

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ABSTRACT

Jember is the three largest districts in East Java, besides Malang and Surabaya. Jember is a famous carnifal city, which is worldwide known as Jember Fashion Carnifal (JFC). The magnet of JFC is capable for domestic tourists and foreign tourists. The moment a number of visitors go to the town of Jember, they are arrested by employers for producing souvenirs, typical of mud; especially, those made from raw cassava are produced by farmers in Jember. Special food made from cassava from Jember includes, tape in the packaging box, pro taper, brownies tape. Bakpia tape, and dodol tape are already known to the public in Jember and tourists from East Java, Indonesia and foreign countries. Descriptive analysis was used for highlighting the problems and mapping the potential small business, home-based cassava. SWOT analysis was used as an analytical tool to identify the problem and map the potential home-based small businesses in developing their business. SWOT analysis is a form of coverage efforts, to identify the strengths, weaknesses, opportunities, and threats that determine the performance of a company or small business and home-based cassava. Based on the analysis performed using SWOT analysis, it is suggested that, the problems of small businesses are home-based. The primary cassava can be produced with standard product quality, human resources, finance and marketing, which still tend to be conventional and need more innovation-based online sales. The role of local government as well as businessmen, and a major center for souvenirs in Jember are needed, in order to develop a home-based small business cassava.

KEYWORDS: Issues Identification, Problems, Home Small Business & SWOT Analysis

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INTRODUCTION

Background of the Study

Although they are considered as a less contributing sector to the increase of the national income, the informal sector, including home-based industry, has become one of the significant considerations in the workforce policy. The informal sector in question is in units of small scale enterprises that produce and distribute goods and services with an ultimate purpose of creating job opportunities for themselves. In the effort to reach their goal, they face various constraints such as shortage in skill, and in physical and knowledge resources.

The growth of home-based industries in developing countries can largely be seen as the positive and negative results of the applied industrialization strategy. On the positive point of view, the revenue increase, mainly of the lower income class, has led to the high level of demand for goods produced by the informal sector. Meanwhile, on the negative side, the high number of unemployment in the formal sector, due to the uneven development and industrialization pattern, has forced them to seek for other job opportunities by becoming entrepreneurs in a home-based industry scale (Priyono Tjiptoherijanto, 1989: 29).

Jember is located 250 km away from Surabaya, the provincial capital of East Java. With 3,293.34 km² of width and temperature between 23°C – 32° C, the area is located between 0-3,330 meters above sea level. Jember is a mountainous area, noted by its topography which consists of mountains and hills or usually called dunes. This natural condition is suitable for growing cassava, especially for the *huma* or land without irrigation. Meanwhile, people can still also plant rice in the rice fields.

Cassava provides many benefits for people. Besides, its leaves can be consumed as vegetables, the tubers can be processed into modified cassava flour (*mocaf* flour), chips, or *tape* (sweet fermented cassava) that becomes the main ingredient for various kinds of snacks, such as *assuwar suwir*, brownies, *prol tape*, *getuk*, etc. Home-based industries that produce snacks made of cassava grow rapidly in Jember. Some of the products have become well-known local souvenirs for visitors. However, these home-based businesses cannot develop optimally because they encounter some obstacles.

Research Purposes

- To identify and analyze the fundamental problems faced by the home-based industries processing cassava-made products in Jember, how the problems exist and how to solve them.
- To identify and analyze the development strategy for those small home-based businesses according to the internal and external conditions that exist

LITERATURE REVIEW

The Products of Cassava-Processing home-Based Industries

Indeed, *tape* (sweet fermented cassava) is easily found anywhere, throughout the Java Island. However, *tape* that is packed in a woven bamboo basket can only be found in East Java. In Jember, besides becoming a well-known local snack, *tape* has also become a further-processing ingredient for other snacks and foods. Those processed foods can be *prol tape* cakes, *tape* brownies, *pia tape*, *dodol tape* and *suwar suwir*. The *pro tape* cake has been socialized and developed for only around the last five years. However, currently, besides its original flavor, it comes in various flavors, such as chocolate, cheese, and strawberry. The cake, which is a mix of flour, sugar, eggs and *tape*, is now packed in an attractive box with a transparent cover to display its surface, so that the flavor is easily noted. Inside the box, a small plastic knife is provided for slicing the cake.

The Importance of Synergy

Synergy is a win-win cooperation generated through collaboration between each party without any defeat. According to Covey (2004) in his book “7 Habits of Highly Effective People”, it is said that synergy is a condition, where $1 + 1 = 3$. Synergy is a mutual complementary-relationship to achieve a bigger result. The concept of synergy includes the following:

- Positive and result oriented
- Diverse perspectives to replace or complete the paradigm
- Cooperation and similarity in goal as well as agreement
- An effective effort in process

An example of the synergy that can be seen in the world around us is the concept of food courts or food centers. It is an area where food and beverage outlets are gathered to serve the customers, so that they will have various choices of food and drinks to purchase. This effectively increases the outlets' income better than when they stand apart in different places.

Synergy can reduce the costs or operational costs without reducing the operating income. The common language in the world of business is budget-sharing. Synergies are a process, and it takes time to establish it. Once successfully built, the synergy will create a creative and innovative cooperation.

Co-Branding Strategy

Co-branding is one of the strategies to determine a brand that is widely used in the modern business cooperation. Many well-known companies have applied it into practice, such as Smart-Fren. Kotler said that co-branding is to combine two or more well-known brands in one offer. In other words, two or more companies make a brand, and distribute or sell the goods together. Meanwhile, Lamb et al (2001: 429) stated that co-branding is the establishment of two or more brand names on a product or its package.

There are several types of co-branding, according to Kotler & Kevin (2012), such as:

- The component of co-branding is where, a company creates a product by adding a product from another company, whose quality is already well-established and well-known, to be one of the components. For example, Volvo advertisers that its cars use Michelin tire.
- Some-company's co-branding is, when some similar or identical companies establish a co-branding to reduce the competition among them and to dominate the market.
- Joint-venture co-branding is, when two companies are engaged in the same joint venture, not only on one type of product but also in all company activities.
- Multi-sponsor, co-branding is, where more than two companies merge to produce a single product with a shared brand name.

Surachman S.A. (2008: 125) stated that co-branding has both advantages and disadvantages.

- **Advantages**
 - The deals done may capture two or more sources from a common brand that will strengthen the goals, sale, and differentiation value.
 - It can generate greater sales than those in the existing target markets, and also open up additional opportunities for consumers and new channels.
 - It reduces the product launching cost, as it combines two well-known images, and accelerates adoption.
 - It can be a valuable tool for studying the consumers and how other companies approach them.
- **Disadvantages**
 - There is a risk of potential shortage and a lack of control to connect with other brands in the consumers'

minds. The consumers will always expect a high level of involvement and commitment to the brands involved, so that one unsatisfactory performance could give a direct negative impact for the brands involved. If other brands are included in a number of co-branding arrangements, an excessive exposure may dilute the transfer of each association.

- Co-branding can cause focus deficiency on the existing brands.

MATERIALS AND METHODS

The research object is home-based industries that process any products made of cassava in Jember. This research is a qualitative descriptive study. The informants used are the owners of the home-based industries and the owners of the souvenir centers. The data used are primary data. The data are collected by applying in-depth interview and extracting information through focus group discussion (FGD) to find a more holistic and comprehensive phenomena.

Analysis Method

- Descriptive Analysis

Descriptive analysis is applied not to test the hypothesis, but to illustrate the reality of the environment. The descriptive analysis approach is a troubleshooting procedure toward the investigated issues. It is applied by describing the condition of the research subject/object at the present time based on the facts that appear as they are.

The results of the descriptive analysis are used to identify the fundamental problems in the development of home-based industries in Jember.



Figure 1

The 'third' step is to formulate SWOT grand strategy interaction. As it is stated by Susilo (2000), a SWOT grand strategy of interaction analysis is basically an interaction of the evaluation, analytical results of the internal (EFI) and the external (EFE) factors. SWOT grand strategy, interaction is a systematic way to formulate an alternative strategy that describes the best suitability among other analyses (Salusu, 2000). If the SWOT grand strategy, interaction analysis is applied accurately, this simple assumption has an enormous impact on the design of a successful strategy (Susilo, 2000).

The existence of the chosen alternative strategy is positioned within one of the four (4) quadrant strategy options (positioning strategy) on the matrix of grand strategy, namely: a) SO strategy, b) WO strategy, c) ST strategy, and d) WT strategy (David, 2002: 131). Meanwhile, to determine the selected strategy, the result of the weighted value from the IFI and IFE matrix will be used.

RESULTS AND DISCUSSIONS

The descriptive analysis on the home-based industries that process cassava-made products in Jember is as follows:

The Strength

- The attractive product packaging and the distinctive flavor that makes the customers always interested to buy the souvenirs when they visit Jember.
- The productive orientation that has been planned and even reached the consumer orientation level to meet the consumer demand.
- The proper selection of raw materials and hygienic operational tools that become a guarantee to a highly qualified product.
- The selection and construction of a strategic or easily-reached the outlet to accommodate the customers that will implement a proper sale process.
- The competitive price.
- The good relationship between employees and managers.

Some weaknesses of the small home-based businesses, according to some underlying matters, are summarized in the following table:

Table 1

No.	Viewed From	Weakness
1.	Marketing	The lack of marketing teams, which can be an online marketing utilizing social media or manual marketing.
2.		The long process of product delivery that requires a more durable product.
3.		The low-level of knowledge and skill, so that the management is only based on their feelings and intuitions.
4.		The incompetency in reading and accessing the potential market opportunities, which possibly have good prospects, leads to a monotonous and static marketing in terms of quality, product and market.
5.		Generally, those small businesses are family business units, and have a very limited business network and a low market penetration capability. Moreover, the resulting products are very limited and have a less competitive quality.
6.		The lack of information on the product marketing, in both national and international market.
7.	Management	The decision-making management and the efforts to take advantage of opportunities in the development process and the survival of the company have not been optimally applied due to the weak managerial capacity.
8.		The lack of managerial ability in distinguishing the financial management of the companies and the households.
9.	Capital and Finance	Generally, the small and medium enterprises are individual enterprises or companies that are publicly closed and limited. They rely on the limited number of capital obtained from the owners, while the loan capital from banks or other financial institutions is difficult to obtain because of their inability to meet the administrative and technical requirements requested by the banks.
10.		The lack of understanding about the criteria of small-business banking and a home-based business feasibility assessment, so that the number of approved

		loans hardly fits the needs.
11.		The absence of a well-organized planning, a record keeping and a financial reporting makes them difficult to monitor the company's development
12.		There is still a lack of information from other financial institutions, like non-bank financial institutions, about the types of financing sources offered and its requirements
13.		The complex systems and the time-consuming procedures from the financial institutions (both banks and non-bank institutions), besides the uncertain waiting time for a loan approval.
14.		The high interest rate is quite burdensome.
15.	Technology	The access to information technology resources is still lacking and uneven, and the dissemination effort is still less intense.
16.		Technologies such as social media and website as an online media campaign have not been optimally used.
17.		Skilled workforce is difficult to obtain because the educational and training institutions are unable to produce skilled manpower in accordance with the need of the small businesses.
18.		A specifically effective equipment is still difficult to obtain
19.	Human Resource	The organizational structure and the work division for the human resources are still unclear.
20.		Most of the small businesses grow traditionally and are hereditary businesses. Thus, it is difficult for them to develop optimally due to the limited human resource quality, in terms of both formal education and knowledge and skills, which greatly affects the business management.
21.		The lack of entrepreneurship spirit from the entrepreneurs themselves. It is a spirit to innovate, to be tenacious without surrender, to be willing to sacrifice and to take the risks.
22.		The lack of transparency between the early generations of the enterprises and the successors. There are a lot of information and networks that is hidden and not notified, so that it creates difficulties for the next generations in developing the business.
23.		The difficulty in finding and keeping the loyalty, discipline, honesty and responsibility of the workers.
24.	Partnership	The bigger entrepreneurs tend to dominate the decision making in pricing and product quality, as well as the payment system.
25.		The partnership practice suggested by the government that regulates the relationship between the big and the entrepreneurs has put the small entrepreneurs in a difficult situation and made them difficult to develop.

Opportunities to Obtain

- An innovation by creating new products by utilizing the same raw materials.
- An opportunity to get potential customers. Jember City has a special event, called *Bulan Berkunjung Jember (BBJ)* or Visit Jember Month that is expected to attract customers from other cities. The small home-based industries are also expected to get involved in the sponsorship, because it can be a promising promotion medium for them.

Threats to Face

- Considering that there are a lot of opportunities and available raw materials, the competition between the small home-based businesses increases.
- The existence of supporting institutions, such as associations or agencies who are supposed to bridge the marketing of home-based small business, has become a threat because they can appear as a new competitor, or

they provide protection only to certain entrepreneurs.

- Only competitors with more employees can meet more customer's demands and more quickly.
- The competition of the price

Generated Strategy

Based on the analysis performed by using SWOT analysis, competitive strategies are obtained. They can be used in the optimization of the owned resources and exploiting opportunities in every condition to reach the goal. The strategies are:

ST Strategy (Strengths -Threats)

- The utilization of internet technologies, especially promotions through social media in order to reach a more widespread marketing, especially areas outside Java and Bali
- The creation of quality products that can be supported by the product features that offer durability without compromising the healthy elements of the product itself. Therefore, if a long-distance shipping or marketing is needed, then the product will still be in a good condition.
- Maintaining the raw material quality, the cleanliness of the appliances, and the place in order to keep the proper quality of the products.

SO Strategy (Strengths - Opportunities)

- The utilization of the available quality raw materials in order to manufacture new products with the same materials that have a good quality and great competitiveness.
- The consumer's orientation toward the demand fulfillment.

WO Strategy (Weaknesses- Opportunities)

- Promotion is carried out better by utilizing the internet.
- Developing an equal partnership. A harmonious cooperation or coordination between the government and the entrepreneurs is expected to be a media for various current issues related to business development.
- Managerial training for the small home-based industries by the related institutions or associations in order to create change and business development in terms of business management.
- Buying new equipment and adding staff to simplify and accelerate the production process.

WT Strategies (Weaknesses -Threats)

- The efforts of managerial training, capital and financial provision for the small home-based businesses with different models from the previous trainings that is often still monotonous in a form of lectures.
- Increasing the promotion team in order to reach more customers.

CONCLUSIONS

The problems faced by the home-based industries that process cassava-made products are: they tend to be family business units, they have very limited business networks and a low market-penetration-capability, and the resulting products are very limited and have a less competitive quality. Most of the small businesses are traditionally grown and are hereditary businesses. Thus, it is difficult for them to develop optimally due to the limited human resource quality. There are also obstacles in partnership efforts by the fact that the bigger entrepreneurs tend to dominate the decision making in pricing, product quality, as well as the payment system.

RECOMMENDATION

The strategies for the development of home-based industries include the making of quality products, that is supported by the product features that offer durability, without compromising the healthy elements of the product itself, so, if a long-distance shipping or marketing is needed, then the product will still be in a good condition, and also developing an equal partnership and improving harmonious coordination between the government and the small businesses to create an inventory media for various current issues related to business development.

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